



Annual Adjustments & Reassessment

Department of Local Government Finance

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Outline

- Valuation Date and Assessment Date
- Annual Adjustments
- Sales Screening
- Statistical Measures
- Foreclosures
- General Reassessment



2010 pay 2011 Valuation Date

For annual adjustments beginning in 2010, the assessment date and valuation date are both March 1.

In other words, for annual adjustments for the March 1, 2010 assessment date (for property taxes first due and payable in 2011)...

...valuation date is also March 1, 2010.



Assessment Date and Valuation Date Relationship

- Real property is valued taking into account its physical condition and the market in existence on the assessment date.
- This value is then trended to reflect the property's market value-in-use on the valuation date.
- “What would a potential buyer have paid on the valuation date for the property as it physically looked on the assessment date given the market conditions that existed on the assessment date?”



Why is this change important?

- Appeals no longer will need to relate valuation opinion to the March 1 assessment date and the preceding January 1 valuation date.
- Easier for taxpayers to understand appeals process because valuation opinions will be tied to same date: March 1



Appeals Process

- Taxpayer / Assessor must explain how evidence relates to property's market value-in-use as of valuation date
- Taxpayer appeal must establish a case proving both:
 - current assessment is incorrect; and
 - what the correct assessment should be.
- However, if assessed value increased over 5% from previous year burden of proof is on assessor.



Ratio Study Submission by County

Strongly recommended that county conduct internal ratio study before submitting values to Department.

County should forward copy of ratio study to Department.



No Change for Change's Sake

- Assessor does not need to change assessment of every property every year.
- Only adjust assessments when:
 - “clear indication based on market evidence” that valuations no longer meet assessment level and uniformity standards, or
 - “significant physical changes” to property



Sample Size

- Neighborhoods must have five (5) or more sales if the sales comparison approach is used.
- If commercial/industrial improved properties have limited number of sales (e.g. less than five (5) sales in strata), county must use Marshall & Swift, income data, MLS data, etc.



Period From Which Sales are Drawn

- County assessor shall use sales of properties occurring during a time period as short as possible and, ideally no more than 14 months before March 1 (Jan. 1, 2009 – March 1, 2010).
- Longer period may be required to produce representative sample for class within county.



Property Characteristics

- Need to be updated continually in response to changes brought about by new construction, new parcels, remodeling, demolition, and destruction.
- The most efficient way of doing this involves the use of building permits.



Rental Properties

- For rental properties with one (1) to four (4) units, Gross Rent Multiplier approach should be used to adjust valuation.
- Resulting workbook values should reflect this value.



Adjustments to Sales Price on Sales Disclosure Form

Adjustments must be documented on the sales disclosure form (e.g. personal property, seller paid points, etc.)



Sales Screening

Sales used in ratio study must be screened to ensure they reflect market value-in-use of real property transferred.



Sales Screening

- Every arm's length, open market sale that appears to meet the condition of a market value-in-use transaction must be included in the ratio study *unless*:
 - Sales data are incomplete, unverifiable, or suspect; or
 - Fails to pass one or more specific tests of acceptability in the *Standard on Ratio Studies*



Sales Screening

- The county should take position that all sales are candidates for ratio study...

...unless **“sufficient and compelling information”** can be documented to show otherwise.

- No “cherry picking” will be permitted.
 - Occurs when assessors regard only sales that closely match AVs as valid.



Ratio Study Statistical Measures

- Level of Assessment (Median) must fall between 0.90 and 1.10 for any class of property.
- Coefficient of Dispersion (COD) standard for improved residential will be 15.0 or less.
- Income producing property, vacant land, and other real property will have COD of 20.0 or less.



Ratio Study Statistical Measures

- Price Related Differential (PRD) must be between 0.98 and 1.03.
- If less than 20 sales in a particular township or class of property, Spearman Rank test will be relied upon to determine if vertical equity has been met for stratum.



Confidence Intervals

- Range within which one can conclude that measure of population (such as median ratio) lies.
- Department using 95% confidence interval.
 - Median may be 0.88, which is IAAO Standard
 - But 95% interval may range from 0.83 to 0.96
 - Since median could be 0.96, will be accepted
- Assessors do not need to calculate confidence interval, but rather these will be automatically calculated by Department using SPSS software.



Outlier Ratios

- Either very low or very high ratios when compared with other ratios in sample.
- Result from erroneous sale price, non market sale, incorrect data on PRC, etc.
 - Subject to scrutiny to determine if valid sale.
 - All trimmed outliers need to be reported.



Multiple Parcel Sales

- Transaction involving more than one (1) parcel of real property.
- Assessor needs to determine whether parcels are contiguous and whether sale comprises a single economic unit or multiple units.
- Any multiple-parcel sale that involves multiple economic units generally should not be used in ratio studies.



Time Adjustment of Sales

- If sales are used prior to Jan. 1, 2009 these sales may have to be time adjusted.
- There are various methods available to determine if an adjustment is necessary.



Time Adjustment Examples

- Paired Sales analysis
- Local realtor information
- Information from appeals
- Information from local appraisers



Foreclosures

- Care should be given to determine if these sales should be used.
- IAAO recently published a couple of position papers on issue of foreclosures.
- Bank foreclosures and subsequent re-sales of previously foreclosed properties may be disregarded when they are a rarity.
- Bank re-sales must be considered when they become significant or predominant, as in many current markets.



2012 General Reassessment

- General Concepts of Reassessment
- Key Points to Consider
- Work Plan
- 2012 Reassessment Rule and Manual
- Equalization and Ratio Studies



General Concepts of Reassessment

- ❖ **Purpose:** To produce accurate and uniform values throughout an assessment jurisdiction and across all classes of property.
- ❖ **Place:** Real property is assessed at the place where it is situated. Per IC 6-1.1-2-4 (b) and (c), real property is assessed to the person liable.



Land Values

- Not later than November 1, 2011, the assessor determining the land values is required to submit the values to the PTABOA.
- Not later than March 1, 2012, PTABOA shall hold public hearing concerning land values.
- PTABOA shall review land values and may make any modifications it considers necessary to provide “uniformity and equality.”



Land Values

- PTABOA shall coordinate valuation of property adjacent to boundaries of county with PTABOA of adjacent counties using equalization rules.
- If county assessor fails to submit land values to PTABOA before **November 1, 2011**, PTABOA sets land values.
- If PTABOA fails to determine land values before **March 1, 2012**, Department determines land values.



Examination of Buildings

Assessing official may, after first making known intention to owner or occupant, enter and fully examine all buildings and structures which are located within township or county and which are subject to assessment.



Physical Inspection

- Accuracy of property characteristics data is an essential element in developing accurate assessed values.
- Accuracy is typically checked by selecting a sample of properties and having property characteristics data collected again by supervisor or deputy assessor in county assessor's office.



Physical Inspection

- Property characteristics data must be updated in response to changes from new construction, new parcels, remodeling, demolition, and destruction.
- All property characteristics must be inspected and verified during visit to property.



Pre-July 1, 2010 Activities

- If county assessor starts physical inspection process before July 1, 2010, must later confirm property data from July 1, 2010 to March 1, 2012 with...
 - Follow-up property visit;
 - Review of county building permit records with follow-up property visit, if necessary; and/or
 - Use of aerial photography (e.g., Pictometry).



Pre-July 1, 2010 Activities

Counties have legal authority to begin preliminary general reassessment work before July 1, 2010 in accordance with I.C. § 6-1.1-9, which permits county assessor to assess or reassess undervalued or omitted property in a county.



Assessment Contracts

- Assessing officials may hire:
 - (1) deputies;
 - (2) employees; and
 - (3) qualified, certified professional assessor-appraisers
- County council required to appropriate funds necessary for employment of deputies, employees, or technical advisors.



DLGF is Party to Contract

- County assessor may hire professional appraisers as technical advisors for assessments in county.
- Department may approve employment of professional appraiser only if Department is party to employment contract and any addendum to employment contract.
- Decision by county assessor to not hire a professional appraiser as technical advisor in general reassessment is subject to approval by Department.



Standard Contract Provisions

- County assessor may not use services of professional appraiser for assessment or reassessment purposes without written contract.
- Contract used must be either standard contract developed by Department or specifically approved by Department.



Standard Contract Provisions

- Department is required to develop standard contract or standard provisions for contracts to be used in securing professional appraising services.
- Standard contract or contract provisions must contain:
 - 1) fixed date by which professional appraiser or appraisal firm shall have completed all responsibilities under contract;
 - 2) penalty clause under which amount to be paid for appraisal services is decreased for failure to complete specified services within specified time;
 - 3) Appraiser must make periodic reports to county assessor;



Standard Contract Provisions

- 4) manner in which, and time intervals at which, periodic reports are to be made;
- 5) stipulation of what service(s) are to be provided and what class or classes of property are to be appraised;
- 6) contractor will generate complete parcel characteristics and parcel assessment data in manner and format acceptable to LSA and Department;
- 7) provision stipulating LSA and Department have unrestricted access to contractor's work product under contract; and
- 8) Department is party to contract and any addendum to contract.



Standard Contract Provisions

- Department may devise other necessary provisions
- Department may develop:
 - (1) one (1) or more model contracts;
 - (2) one (1) contract with alternate provisions; or
 - (3) any combination of the two.



Reassessment Contract Deadline

- Period with respect to each general reassessment that is the only time during which a county assessor may enter into a contract with professional appraiser.
- County assessor may enter into contract only on or after January 1 and before April 16, 2010.



Completion Dates

- Assessments of parcels subject to taxation must be completed as follows:
 - (1) $\frac{1}{4}$ of parcels before December 1, 2010
 - (2) $\frac{1}{2}$ of parcels completed before May 1, 2011
 - (3) $\frac{3}{4}$ of parcels completed before October 1, 2011
 - (4) all parcels completed before March 1, 2012



Notice of Assessment

- When assessor assesses / reassesses any real property, must give notice to taxpayer, by mail, of amount of assessment / reassessment (e.g., Form 11).
- During period of general reassessment, each township or county assessor shall mail required notice of assessment within ninety (90) days after assessor:
 - (1) completes appraisal of parcel; or
 - (2) receives report for parcel from professional appraiser.



Reassessment Fund

- County Auditor shall establish property reassessment fund.
- County Treasurer shall deposit all collections resulting from property taxes that county levies for county's property reassessment fund.
- Department may raise or lower property tax levy for year if it determines it is appropriate because estimated cost of general reassessment; or making annual adjustments has changed.



Example Work Plan

- Work plan establishes key dates or benchmarks for work to be completed, ensuring timely completion of reassessment.
- Start with end first and work backwards.
- Benchmarks should be realistic and obtainable.



Example Work Plan (continued)

- January 1, 2010: First day to enter into contract for reassessment services with a professional appraiser.
- April 15, 2010: Last day to enter into contract for reassessment services with professional appraiser (if applicable).
- July 1, 2010: The 2012 General Reassessment begins.
- December 1, 2010: 25% of all parcels are completed.
- May 1, 2011: 50% of parcels are completed.



Example Work Plan (continued)

- October 1, 2011: 75% must have assessments completed.
- November 1, 2011: County Assessor shall submit land values to PTABOA.
- March 1, 2012: PTABOA shall hold public hearing concerning land values (uniformity and equity).
- March 1, 2012: On or before this date, 100% parcels must have appraisals completed.



Example Work Plan (continued)

- If your county decides to utilize vendor for reassessment, work plan should include various steps in contract process:
 - Define scope of services needed (November 2009)
 - Work with County Commissioners and County Council on funding (November/December 2009)
 - Put out Request for Proposal (RFP) (January 2010)
 - Select vendor (February 2010)
 - Work with County Attorney (and utilize DLGF's Model Contract) on entering into agreement with vendor (March 2010)
 - Sign the contractual agreement (April 2010)



2011 Reassessment Rule and Manual

- ❖ 2011 Reassessment Rule:
(www.in.gov/dlgf/files/Adopted_2011RealPropertyAdministrativeRule_50_IAC_2.4.pdf).
- ❖ 2011 Reassessment Manual:
www.in.gov/dlgf/files/Adopted_2011RealPropertyAssessmentManual.pdf.
- ❖ The valuation date for the 2012 general reassessment is March 1, 2012. The assessing official shall use sales of properties occurring during a period of time from March 2, 2010 through March 1, 2012 for the March 1, 2012 general assessment date. Sales occurring before the valuation date of March 1, 2012 shall be trended for time, if appropriate, in accordance with the *IAAO Standard on Ratio Studies* (July 2007)



Equalization and Ratio Studies

- 50 IAC 14 (Equalization Standard) –
<http://www.in.gov/legislative/iac/T00500/A00140.PDF?>
 - The Department is in the process of updating 50 IAC 14 and it is expected the rule making process will be completed in the latter half of 2009.
 - The purpose of equalization is to establish procedures and standards in the adjustment of assessed valuations under IC 6-1.1-13 to attain a just, equal, and uniform basis and level of assessment among taxpayers in a county and from county to county.



Equalization and Ratio Studies

- 50 IAC 14 (Equalization Standard) –
<http://www.in.gov/legislative/iac/T00500/A00140.PDF?>
- - County assessors shall perform equalization before tax bills are sent based on values generated by a general reassessment.
 - Using the data described in 50 IAC 14-8 and 50 IAC 14-9, the department of local government finance may propose to equalize valuations in any county, between counties, or in the state as a whole, in any one (1) or more of the classes of property listed in 50 IAC 14-5. The department of local government finance shall issue notice and provide opportunity for a hearing in accordance with IC 6-1.1-14-4 and IC 6-1.1-14-9, as applicable, before issuing a final equalization order.



Valuation Date for the 2012-pay-2013 General Reassessment

For March 1, 2012 (for property taxes first due and payable in 2013) general reassessment...

...valuation date and assessment date are March 1, 2012.



Signed General Reassessment Contracts

- All counties that have chosen to contract with third party professional appraiser contractor will need to either cancel contract or amend contract to provide for any additional preparatory general reassessment work conducted prior to July 1, 2010 start date.
- Any addendum to contract and schedule of work to be contemplated by terms of model contract, and therefore, does not require rebidding.
- Necessary for county assessor, county board of commissioners, contractor, and Department to execute addendum.



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